



General Assembly

February Session, 2010

**Governor's Bill No. 23**

LCO No. 399

\*00399\_\_\_\_\_\*

Referred to Committee on Commerce

Introduced by:

SEN. MCKINNEY, 28<sup>th</sup> Dist.

REP. CAFERO, 142<sup>nd</sup> Dist.

**AN ACT ESTABLISHING A QUALIFIED SMALL BUSINESS JOB  
CREATION TAX CREDIT.**

Be it enacted by the Senate and House of Representatives in General  
Assembly convened:

1       Section 1. (NEW) (*Effective from passage and applicable to income years*  
2       *commencing on or after January 1, 2010*) (a) As used in this section:

3       (1) "Commissioner" means the Commissioner of Economic and  
4       Community Development;

5       (2) "Income year" means the income year or taxable year, as  
6       determined under chapter 207, 208 or 229 of the general statutes, as the  
7       case may be;

8       (3) "Qualified small business" means an employer, subject to tax  
9       under chapter 207, 208 or 229 of the general statutes, who employs less  
10       than twenty-five employees in Connecticut on the date of its  
11       application under subsection (c) of this section;

12       (4) "New employee" means a person hired after the effective date of

13 this section by the qualified small business during its income years  
14 commencing on or after January 1, 2010, and prior to January 1, 2013,  
15 to fill a new full-time job. A new employee does not include a person  
16 who was employed in Connecticut by a related person with respect to  
17 the qualified small business during the prior twelve months;

18 (5) "Full-time job" means a job in which an employee is required to  
19 work at least thirty-five or more hours per week. A full-time job does  
20 not include a temporary or seasonal job;

21 (6) "Related person" means (A) a corporation, limited liability  
22 company, partnership, association or trust controlled by the qualified  
23 small business, (B) an individual, corporation, limited liability  
24 company, partnership, association or trust that is in control of the  
25 qualified small business, (C) a corporation, limited liability company,  
26 partnership, association or trust controlled by an individual,  
27 corporation, limited liability company, partnership, association or trust  
28 that is in control of the qualified small business, or (D) a member of the  
29 same controlled group as the qualified small business; and

30 (7) "Control", with respect to a corporation, means ownership,  
31 directly or indirectly, of stock possessing fifty per cent or more of the  
32 total combined voting power of all classes of the stock of such  
33 corporation entitled to vote. "Control", with respect to a trust, means  
34 ownership, directly or indirectly, of fifty per cent or more of the  
35 beneficial interest in the principal or income of such trust. The  
36 ownership of stock in a corporation, of a capital or profits interest in a  
37 partnership, limited liability company or association or of a beneficial  
38 interest in a trust shall be determined in accordance with the rules for  
39 constructive ownership of stock provided in Section 267(c) of the  
40 Internal Revenue Code of 1986, or any subsequent corresponding  
41 internal revenue code of the United States, as from time to time  
42 amended, other than Paragraph (3) of said Section 267(c).

43 (b) (1) There is established a qualified small business job creation tax  
44 credit program for qualified small businesses whereby a qualified

45 small business that hires a new employee in the state may be allowed a  
46 tax credit against the tax imposed under chapter 207, 208 or 229 of the  
47 general statutes, other than the tax imposed by section 12-707 of the  
48 general statutes.

49 (2) Except as otherwise provided in subdivision (3) of this  
50 subsection, the tax credit shall be an amount equal to two thousand  
51 five hundred dollars for each new employee hired during the first six  
52 months of the income year of the qualified small business or one  
53 thousand two hundred fifty dollars for each new employee hired after  
54 the first six months, but prior to the last month, of the income year of  
55 the qualified small business.

56 (3) For each new employee hired during the income year of the  
57 qualified small business commencing on or after January 1, 2010, and  
58 prior to January 1, 2011, the tax credit shall be equal to two thousand  
59 five hundred dollars if the new employee is hired prior to the last  
60 month of the income year of the qualified small business.

61 (4) For each of the two successive income years after the new  
62 employee is hired, the tax credit shall be an amount equal to two  
63 thousand five hundred dollars for each new employee employed for a  
64 full income year.

65 (5) No tax credit shall be allowed for any new employee hired by a  
66 qualified small business in any income year commencing on or after  
67 January 1, 2013.

68 (6) No qualified small business may claim a tax credit for any new  
69 employee that is not employed at the close of the income year of the  
70 qualified small business.

71 (7) The tax credit shall be claimed for the income year in which the  
72 qualified small business hires a new employee and, if eligible, the two  
73 immediately succeeding income years. Any tax credit not used in an  
74 income year shall expire.

75 (c) To be eligible to claim the tax credit, a qualified small business  
76 shall apply to the commissioner in accordance with the provisions of  
77 this section before hiring each new employee. The application shall be  
78 on a form provided by the commissioner and shall contain sufficient  
79 information as required by the commissioner, including the activities  
80 that the qualified small business primarily engages in, the North  
81 American Industrial Classification System code of the qualified small  
82 business, the current number of employees employed by the qualified  
83 small business as of the application date, and the name and position or  
84 job title of the new employee to be hired.

85 (d) (1) Upon consideration of an application, the commissioner shall  
86 render a decision on the application, in writing, not later than thirty  
87 days after the date of its receipt by the commissioner. If the  
88 commissioner approves the application of the qualified small business,  
89 the commissioner shall issue a certification letter indicating that the tax  
90 credit will be available to be claimed by the qualified small business if  
91 the qualified small business otherwise meets the requirements of this  
92 section.

93 (2) The total amount of tax credits granted under this section and  
94 under section 12-217ii of the general statutes, as amended by this act,  
95 shall not exceed ten million dollars in any one fiscal year.

96 (3) No qualified small business claiming the tax credit under this  
97 section with respect to a new employee may claim any credit against  
98 any tax under any other provision of the general statutes with respect  
99 to the same new employee.

100 (e) If the qualified small business is an S corporation or an entity  
101 treated as a partnership for federal income tax purposes, the tax credit  
102 may be claimed by the shareholders or partners of the qualified small  
103 business. If the qualified small business is a single member limited  
104 liability company that is disregarded as an entity separate from its  
105 owner, the tax credit may be claimed by the limited liability company's  
106 owner.

107 (f) For a qualified small business subject to the tax imposed under  
 108 chapter 229 of the general statutes, no credit allowed under this section  
 109 shall exceed the amount of tax imposed by said chapter.

110 (g) The commissioner shall annually provide to the Commissioner  
 111 of Revenue Services a list detailing all tax credits that have been  
 112 approved and all qualified small businesses that have been issued a  
 113 certification letter under subsection (d) of this section.

114 Sec. 2. Subdivision (2) of subsection (e) of section 12-217ii of the  
 115 general statutes is repealed and the following is substituted in lieu  
 116 thereof (*Effective from passage and applicable to income years commencing*  
 117 *on or after January 2, 2010*):

118 (2) The total amount of credits granted to all taxpayers under  
 119 section 12-217ii and section 1 of this act shall not exceed ten million  
 120 dollars in any one fiscal year.

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|---|---|----------------|
| This act shall take effect as follows and shall amend the following sections: |   |                |
| Section 1   | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | New section    |
| Sec. 2  | <i>from passage and applicable to income years commencing on or after January 2, 2010</i> | 12-217ii(e)(2) |

**Statement of Purpose:**

To implement the Governor's budget recommendations.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*